

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: A Program of Financial Research Vol 1: Report of the Exploratory Committee on Financial Research

Volume Author/Editor: Exploratory Committee on Financial Research

Volume Publisher: UMI

Volume ISBN: 0-870-14458-8

Volume URL: <http://www.nber.org/books/expl37-1>

Publication Date: 1937

Chapter Title: Trends and Current Tendencies in the Earnings and Expenses of Banks, 1920-1936

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Chapter URL: <http://www.nber.org/chapters/c0633>

Chapter pages in book: (p. 72 - 73)

Types of Proposed Study

Against this general background, the following two related studies dealing with different aspects of bank earnings and expenses are proposed:

1. Trends and current tendencies in the earnings and expenses of active banks, 1920-1936;
2. Significant earning and expense relationships of a representative sample of banks for selected years, 1926-1936 (an intensive statistical analysis).

TRENDS AND CURRENT TENDENCIES IN THE
EARNINGS AND EXPENSES OF BANKS,

1920-1936

General Background

Contemporary tendencies in bank earnings and expenses reflect the play of unparalleled financial influences as well as the repercussions of far reaching legislative reform affecting the entire financial system. They also reflect, however, the conditioning force of many other elements largely accumulated out of the past and best described as long run. In part, these other elements are a matter of internal form, practice and organization developed over a period of years to facilitate the performance of accepted functions within the limits set by banking statute and regulative administration. But they issue also from the external relationships of banks, individually and as a system, with debtors and creditors, relationships only slowly and gradually developed from long and continuous banking operations. Any attempt to appraise and evaluate impartially prevailing earning and expense problems of banks requires as a background an adequate knowledge of previous trends and tendencies,

together with such interpretation of conditioning influences as historical data make possible. Unfortunately, no single published source exists from which a satisfactory background can readily be obtained. This particular study, therefore, is designed to fill such a gap.

Specific Problem

Drawing largely from published information on bank earnings and expenses and such unpublished material as may properly be provided by Federal and state banking authorities, this study would sift and combine available data in as many meaningful ways as practicable. Among the various possibilities for treatment are: (1) a detailed study of the rise in interest on deposits as an expense item and the relative significance of deposit interest at different periods; (2) comparisons of important earning and expense items with a view to determining their relative variability over a period; (3) comparisons of important earning and expense items with series reflective of external conditions affecting bank operations; (4) comparisons of trends and tendencies of national bank earnings and expenses with those of state member banks and, where data make it possible, with non-member banks; (5) comparisons of aggregate national and member bank earnings and expenses in different regions, states, and centers of activity. To the extent possible, in addition, trends should be analyzed on the basis of size classes. Materials assembled for the Federal Reserve Committee on Branch, Group and Chain Banking would be extremely useful in all phases of the project.

Procedure

Although the investigation is planned with a view to a minimum of dependence on the active cooperation of